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$2.00 a copy; $74 a year

NEWSPAPER

April 24, 1989

0201909449 01AA00891I7 COMP112
CONGRESSIONAL INFO SERVICE
SRI ACQUISITIONS
4520 EAST-WEST HWY #800
WASHINGTON DC 20007

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Mars hires Achenbaum on ad costs

By JON LAFAYETTE and JANET MEYERS

Mars Inc. has called in consultant Alvin Achenbaum to help the giant candy marketer examine agency compensation at two non-candy divisions.

Mr. Achenbaum, chairman of Canter, Achenbaum, Associates, New York, is working with Mars' Kal Kan Foods and Uncle Ben's divisions. Between them, the two divisions spend more than $70 million annually on media advertising, according to Leading National Advertisers.

The move could be bad news for Backer Spielvogel Bates, New York, which handles both divisions, because Mr. Achenbaum has a reputation for negotiating lower fees than agencies prefer. Both divisions have operated under a fee payment system for several years; M&M/Mars also switched to a fee from a 15% commission earlier this year.

"We believe we need an equitable review of agency costs," said Thomas Armstrong, president of Kal Kan.

He said he asked Mr. Achenbaum to conduct seminars on agency costs for the company's purchasing agents, whose decisions affect agency compensation.

"He is working on the education of our people in agency cost development," Mr. Armstrong said. "My commercial people don't understand how an agency develops its costs."

Mars calls its purchasing people "commercial people," but the

(Continued on Page 75)

Newspapers plot new expansion

By PATRICK REILLY

For an industry that's supposed to be shrinking, there are signs that some newspaper publishing companies have expansion on their minds.

As publishers convene today in Chicago for the American Newspaper Publishers Association annual meeting, some of them are making moves that point to new life in the newspaper industry.

Problems of flat daily newspaper circulation, especially in monopoly markets, continue to vex the industry. Still, new daily metropolitan newspapers in St. Louis and Washington are being planned—something the industry hasn't seen in years—while other publishing companies are expanding existing properties.

Among recent developments:

- *The New York Times* on May 1 will introduce a third section to its two-section national edition in Seattle and Tacoma, Wash., and Portland, Ore. The move follows similar successful debuts in 1988 of third sections for the *Times*' national edition in Los Angeles and San Francisco. The third section focuses on arts, entertainment and lifestyle coverage and carries regional ads.
- Ingersoll Publications Co. will launch a daily tabloid next September

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Inside:

BMP eyes white knight—P. 1
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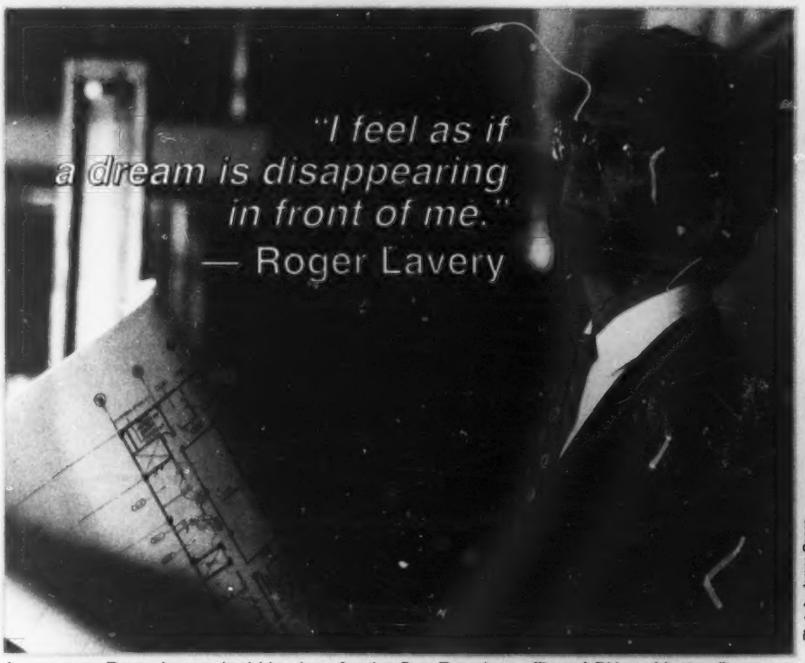

Photo by James Rees

A year ago, Roger Lavery had big plans for the San Francisco office of D'Arcy Masius Benton & Bowles. Less than a month ago, the office closed.

Having a dream; watching it die

Diary of an agency exec

By ALICE Z. CUNEO

In September 1987, Roger M. Lavery took on the biggest challenge of his career.

D'Arcy Masius Benton & Bowles tapped him to rescue its foundering San Francisco office. Once among the largest agencies in town, with billings of $29 million and heavyweight clients including Bank of America and Crown Zellerbach, D'Arcy San Francisco had suffered a steady decline.

When Mr. Lavery, then 38, took over as managing director, its billings stood at $22 million—half from Sun-Diamond Growers of California for its Sun-Maid raisins and Sunsweet prunes accounts. Employment had dwindled to two dozen people.

D'Arcy hired Mr. Lavery away from DDB Needham Worldwide's San Francisco office, where he was exec VP-general manager and had built a reputation as a guy who could bring in business.

Last April, six months after Mr. Lavery took on his new position, ADVERTISING AGE began to monitor his progress.

Mr. Lavery allowed a reporter to sit in on meetings and otherwise have the run of the agency for a week, and AD AGE has kept close watch on the agency for the past year.

Things haven't turned out the way Mr. Lavery had hoped. Last month, despite a desperate 11th-hour appeal by Mr. Lavery to save his shop, D'Arcy sold its San Francisco office to his former employer, DDB Needham.

Here's our story of a year in the life of an adman who reached for a dream but fell short.

April 1988: Day one

The tall, curly-haired Mr. Lavery, who lives alone, starts the day with his 5-mile, 5:30 a.m. run from his Pacific Heights condominium to the Golden Gate Bridge. By 8 a.m., now in a blue pinstripe suit, he's on the job.

D'Arcy's run-down offices in the financial district provide an apt contrast to the splashy neon of Chiat/Day, the leather floors of Foote, Cone & Belding and the understated elegance of Hal Riney & Partners, the city's big-name agencies.

But not for long, Mr. Lavery says, eyeing a strip of architectural drawings on his otherwise bare wall. These are for "The Space"—the new offices in the trendy advertising neighborhood that D'Arcy will soon be occupying.

"When I made the announcement [about the move], I got laughs," Mr. Lavery says. "They had been promised they would be moving for three years."

The cornices of the building housing the new

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April 24, 1989

Advertising Age

Crain's International Newspaper of Marketing.

Burger King axes Ayer

By SCOTT HUME and GARY LEVIN

Burger King Corp. finally tackled the Whopper decision Friday, abruptly firing N W Ayer, New York, as national agency on its $150 million account.

Surprisingly, Ayer wasn't allowed the face-saving gesture of being included in a review.

Instead, new Burger King Exec VP-Marketing Gary L. Langstaff will hear presentations in three to four weeks from D'Arcy Masius Benton & Bowles, New York; Saatchi & Saatchi Advertising, New York; and J. Walter Thompson USA, Chicago.

Burger King said the three agencies have been given a "strategic brief." The assignment involves the theme line "We've got a taste all our own," created by Ayer as a possible successor to "We do it like you'd do it," sources close to the chain said. Burger King executives are said to want a new campaign strategically similar to that line.

Ayer Vice Chairman Jerry Siano said the agency had gotten positive feedback from Burger King until the very end, but he also confessed, "Honestly, in many ways it's like a major gorilla off our backs."

Mr. Siano will be named chairman-ceo of the New York-based agency at a board meeting tomorrow.

Ayer's ouster wasn't surprising; its hold on the account had been unsure during most of its 19-month tenure. During that period, Burger King has had two different owners, three chief executives, four top marketing officials and continual reports of franchisee dissatisfaction with Ayer's "We do it" campaign.

Ayer officially has the national account until September. The new agency's campaign likely will start in October.

A Burger King spokeswoman said Ayer also will "continue to handle the local business for the time being." Local advertising accounts for perhaps $90 million of Burger King's $150 million in media ad spending.

Mr. Siano said he didn't know how long the agency would continue to handle local media but said "at this point, we'll do whatever we have to do [to keep it]. We're doing it on our own pride."

Conspicuously absent from the list of finalists is Foote, Cone & Belding, Chicago, which spent several months working to land the account.

The agency reportedly was close to signing a contract with Burger King when the chain's marketing chief, Anthony Lavely, was dismissed. That move apparently scotched that plan.

FCB had one more shot at the Burger King business early in March, when newly named CEO Barry Gibbons flew to Chicago to hear the agency's strategic and creative presentations.

The choice of JWT's Chicago office was especially surprising. JWT in New York handled the Burger King account for 11

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White knights circle BMP agency

By LAUREL WENTZ

LONDON—Boase Massimi Pollitt, fighting a hostile takeover attempt by France's BDDP Group, appears to be open to two white knights from the U.S.

The most acceptable "friendly" takeover candidate could be one of the multinational agencies Chairman Martin Boase talked to before BBDP's March 30 bid, including TBWA, New York.

TBWA Chairman-CEO William Tragos last week said his agency bought 2.6% of BMP's stock for $5 million. The size of the TBWA stake—bought at 320 pence per share—apparently was limited by the availability of stock in the market and stockholders willing to sell.

TBWA bought its BMP stake from Allied Dunbar Asset Management Co., one of BMP's largest shareholders until it sold its remaining 3% last week.

An indication of TBWA's seriousness is the agency's appointment of financial advisers Barclays de Zoete Wedd and financial public relations company Dewe Rogerson here.

But another potential white knight could be New York-based Omnicom Group's BBDO Worldwide.

BMP and BBDO officials had been talking about sharing equity in some BBDO agencies around the world before the French agency's bid for the British shop.

Mr. Boase, however, denied he's considering a friendly takeover.

"We had been talking to people before [BDDP President-CEO Jean-Claude] Boulet came along, and we have had 25 calls since he came along," he said. "We aren't talking to anyone, not even the ones we have talked to before.

"It's awfully difficult to be talking about the right partnership for Europe when a hostile bid is on the table. I don't think we need anybody at the moment. I think we're going to fight off Boulet [alone]."

Partly triggering the white knight speculation is the fact that Mr. Boase was talking to agencies and networks before the BDDP bid, trying to put together a continental European network.

Mr. Boase has been under pressure from clients of his biggest agency, BMP Davidson Pearce here, to expand internationally. Those clients include Unilever.

Analysts and financial advisers involved say they believe that if Mr. Boase gets a friendly offer he likes, he will agree.

"The 'For Sale' board is up, but it's around the back of the house rather than the front," said Chris Akers, an analyst at Citicorp Scrimgeour Vickers. "I think a deal will be agreed [to], and BMP will recommend it" to shareholders.

Before BDDP's bid, BMP talked to BBDO about a deal in which BMP would buy into a number of continental BBDO agencies such as ARA BV in the Netherlands

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THE BATTLE OVER BMP

Staff photo by Doug Goodman

William Tragos vs. Jean-Claude Boulet

Last Minute News

Ayer gets low-cholesterol egg business

NEW YORK—N W Ayer, which lost Burger King's national account Friday, was named agency for C.R. Eggs, King of Prussia, Pa., on the same day. Ayer said first-year test-market spending will be $6 million. The agency also said spending could grow to more than $60 million and eventually be as much as $90 million. The company has the patent for a chicken-feed supplement that appears to reduce cholesterol in eggs. Test-marketing of the eggs is expected to start in September. "It's exciting, and we're very optimistic," said Jerry Siano, Ayer vice chairman and Ayer USA unit chairman.

Exxon gives $10M for Alaska campaign

FAIRBANKS, ALASKA—Exxon will give the Alaska Tourism Marketing Council and the Alaska Visitor Association an estimated $10 million

(Continued on Page 8)

Salem turns up the sound

By GARY LEVIN

R.J. Reynolds Tobacco Co. is mounting perhaps its most ambitious promotional marketing program for Salem cigarettes.

RJR will woo young adult smokers with "Salem SoundWaves," a huge effort that encompasses advertising, promotional events in nightclubs, a direct-mail record and tape club, and an every-other-monthly, controlled-circulation music magazine.

The drive also includes the standard assortment of premium offers—pocket radios, cassettes and T-shirts, for example—available free or at reduced prices by mail or in retail stores.

"Salem SoundWaves," now entering selected sales territories, is scheduled for national rollout this summer.

Sources said the total "SoundWaves" budget approaches Salem's media-advertising outlay, budgeted separately. RJR puts about $40 million in measured media advertising behind Salem.

"This is the largest fully integrated music-marketing program in history," said Larry Gershman, director of sales promotion for FCB/Leber Katz Partners' Integrated Communications Group, New York, which developed and executed the effort.

"SoundWaves" focuses on what introductory ads call "the freshest new music"—in a play on Salem's current ad theme—that promotes mainly "cutting edge" rock music from up-and-coming performers.

FCB/Leber Katz's current general ad campaign for Salem, themed "The refreshest," will continue alongside the new program.

The move reflects RJR's new

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Ogilvy, D'Arcy perking at GF

By GARY LEVIN
and JUDANN DAGNOLI

NEW YORK—Ogilvy & Mather and D'Arcy Masius Benton & Bowles will meet with General Foods USA this week to determine the next step in their quest for the $50 million Maxwell House account.

General Foods executives last week put off a decision until late May, though they did drop Grey Advertising and Young & Rubicam from the review. All are major General Foods agencies.

Parent Kraft General Foods Group also last week consolidated more than $200 million in network and cable TV buying at D'Arcy, pulling Kraft business from Foote, Cone & Belding, Chicago, and reshuffled executives at General Foods USA.

Incumbent O&M declined comment on the review, though officials have previously expressed pessimism about its chances of keeping the account. The agency's New York office has been buffeted by account losses and morale problems in recent months.

But an O&M executive said the agency was "delighted" to remain in the review.

"It's a pity we're still on the rack for another four or five weeks," he said, "but it's better to be on the rack than killed."

Sources said General Foods wasn't "100% confident" of any of the presentations it heard in recent weeks from the four shops for Maxwell House's ground and instant coffees. But it apparently saw enough promise to ask O&M and D'Arcy to work toward fine-tuning their concepts rather than return them to the drawing board for new ideas.

Exactly what that fine-tuning entails will be learned by the agencies later this week.

Some observers speculate that possibly General Foods was weighing the impact of a Maxwell House loss on its long-term relationship with O&M.

"There are definitely more implications to this decision than a yes or no on Maxwell House, whether they want to recognize it or not," an O&M source said.

The move of Louis Gerstner Jr. from American Express Co. to ceo of RJR Nabisco could signal a new opportunity for O&M, should it decide to forsake the rest of its General Foods business in the wake of a Maxwell House loss.

Mr. Gerstner has close ties with senior executives at O&M because AmEx is one of the agency's largest worldwide clients. RJR itself is analyzing its operations in the wake of its buyout by Kohlberg Kravis Roberts & Co.

But O&M has given no indication that it would resign an additional $40 million in other General Foods USA business, including some Post cereals and Tang instant breakfast drink. It also has international assignments on several brands, including Maxwell House.

Leo Burnett USA, Chicago, earlier rumored to be pitching Maxwell House, has insisted it turned down a chance to pitch because of conflict concerns. It did, however, make a credentials presentation to General Foods officials, opening the door to potential future assignments (AA, April 3).

NBC-TV "Today" weatherman Willard Scott is reportedly involved in a new campaign for the brand via O&M, but that cam-

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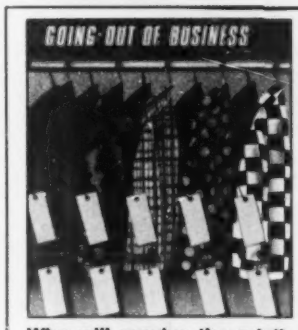

Who will survive the retailing shakeout? See "Special Report," following P. 50.

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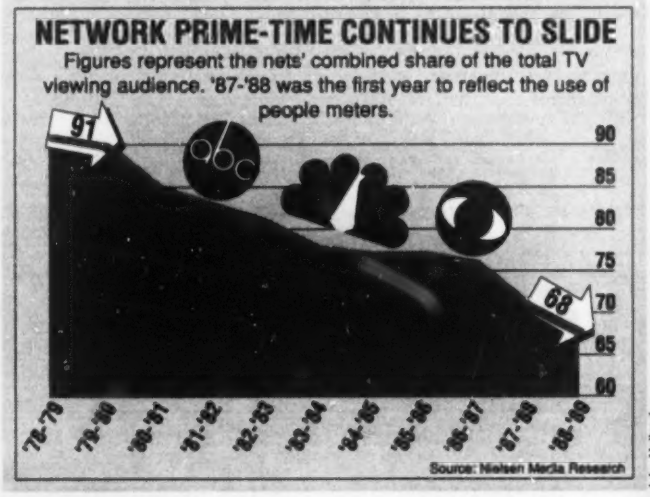
Vol. 60, No. 18—ADVERTISING AGE (ISSN 0001-8899) is published weekly except semiweekly the fourth week in March and the fourth week in September at 740 Rush Street, Chicago, Ill. 60611-2590. Second-class postage paid at Chicago and additional mailing offices. Send address changes to ADVERTISING AGE, Circulation Department, 965 E. Jefferson, Detroit, Mich. 48207. $2.00 a copy, $74 a year, $124 two years. Add $115 per year for air delivery to Europe & Middle East. Add $49 for surface mail to all other foreign countries. WILLIAM STRONG, VP-circulation; JOHN HUFFMAN, fulfillment director; DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Advertising Age, 965 E. Jefferson, Detroit, Mich. 48207 1-800-992-9970. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, O. 44691. AD AGE is available for electronic retrieval on the NEXIS® Service, Mead Data Central, Inc., P.O. Box 933, Dayton, O. 45402 (800 227-4908).



John Holland

Net TV declines to affect upfront

By JUDITH GRAHAM

NEW YORK—The erosion of audience share at the Big 3 TV networks will continue into next year and probably affect price negotiations during the coming upfront buying season.

For the just-ended 1988-89 season, the networks' combined slice of the total prime-time TV viewing audience slipped to 68 share points, from 71 for the previous season. Cable TV wrested 2 points from the networks while independent TV stations, including the fledgling Fox Broadcasting Co. network, accounted for the remaining lost point.

Both CBS and NBC faulted the writers' strike and the shortened season for the falloff. Both predicted the 1989-90 season will be different. They say network ratings and shares have evidenced a recovery this year and that the bulk of viewer defections occurred in the fourth quarter of 1988, in the wake of the strike's impact.

"I anticipate next year the [three-network share] decline will be minuscule—maybe another share point," said Gerry Jaffe, VP-sports research at NBC. "I'm anticipating a better start to the season, and I think that the major growth in cable has slowed."

But in an apparent breaking of the ranks, ABC disagreed.

Based on the record of the past several years, ABC predicted the Big 3 will lose yet another 3 or 4 share points in the 1989-90 season, due largely to cable.

"Is network erosion stopping or leveling off? The answer is no," said Alan Wurtzel, ABC's senior VP-marketing and research services. He said he expects stabilization to occur around 1992, when cable systems finish penetrating unserved areas of the country.

Just which network scenario advertisers believe will affect both pricing and demand during the coming upfront selling season, when much of the networks' commercial time is sold in advance for the next full TV season.

"What I buy is audience," said Bart McHugh, VP-national broadcast at DDB Needham Worldwide. "But from the networks' point of view, fewer people are watching, shares are lower and audience delivery is lower. They can't expect me to pay more for that."

Mr. McHugh suggested ABC might be more willing to admit erosion because of anticipated weakness next season and a desire to extend more moderate pricing offers to advertisers.

"My initial reaction to what we saw at [pilot] development meetings is that CBS may have an edge on ABC in development," he said.

Audience shrinkage will effect price haggling over both established shows and new programs.

"We are going to have to factor continued erosion into upfront considerations," said Michael Drexler, exec VP-national media director at Bozell. "At some point, you have to say that even if a show appears to be

(Continued on Page 77)

Pepsi tops ad recall after Madonna flap

By SCOTT HUME

Maybe it doesn't matter what's said about your commercial spokesman as long as the product's name is spelled correctly.

Pepsi-Cola had the best-recalled advertising in March, according to ADVERTISING AGE's monthly adWatch survey. It also was the most controversial advertising.

The company broadcast a new commercial for regular Pepsi featuring rock singer Madonna and using clips from her new music video "Like a Prayer" (AA, March 6).

The controversy started almost immediately, though it focused more on the video than the commercial. Religious groups such as the Rev. Donald Wildmon's American Family Association complained about the video's "misuse" of Christian symbols.

The commercial contained none of the video's controversial scenes, but the protest spilled over into threatened boycotts of Pepsi-Cola Co. products (AA, March 13).

Concerned that consumers too easily confused the video with the commercial, Pepsi-Cola finally said it was pulling the spot.

The protest dramatically boosted ad awareness for Pepsi-Cola. The percentage of people for whom Pepsi's advertising came to mind first more than doubled between the February and March surveys.

Pepsi was the best-recalled advertiser among all age groups except those age 65 and over (for whom Ford was the winner). Not surprisingly, however, Pepsi got its strongest recall among respondents ages 25 to 34.

When respondents were asked specifically which soft-drink advertising first came to mind, Pepsi scored again. It kept its No. 1 rank in the category with 40.9% of first mentions, up from 37.6% in February. Coca-Cola was second with 29.6%, down from a 32.5% share. Diet Coke was third with 8.9%, compared with 9.4% in February.

Pepsi knocked McDonald's Corp. out of the first-place rank it held in February, but Big Mac actually increased number of first mentions. The restaurant chain didn't have Madonna, but it did have the heavily advertised Scrabble in-store promotion (AA, March 13).

Maybe Madonna would have helped Sears, Roebuck & Co.

The retailer last month launched the biggest ad blitz in its history, estimated to have cost up to $100 million over just three weeks (AA, Feb. 27). Even with all that spending to announce its shift to "everyday low prices," Sears couldn't crack the top 10.

But it was close: It tied with Buick, Miller Brewing Co. and Oldsmobile for the No. 12 spot, just out of the money.

AdWatch is a joint project of AD AGE and the Gallup Organization. Advertising awareness is measured by asking a nationally projectable sample to name the first advertising that comes to mind from all seen, heard or read in the previous 30 days.

Last month, 1,000 adults were polled by phone. The margin of error is plus or minus 3.1%.

Elsewhere, Michelin Tire Corp. is making a comeback in the tire category. Overshadowed for the past few months by the high awareness level of Goodyear Tire & Rubber Co.'s advertising, Michelin has been a distant No. 2.

Last month the gap closed. Goodyear remained No. 1 with 23.2% of first mentions, down from 25.1% in February. But Michelin moved into a close second with a 22.1% share, up from 19.1% a month earlier. Firestone Tire & Rubber Co. was third with 6.7%.#

For more information, contact the Gallup Organization, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

ADWATCH SURVEY OF ADVERTISING AWARENESS
TOP 10 IN MARCH

Last month, 1,000 people were asked: Of all the advertising you have seen, heard or read in the past 30 days, which advertisement first comes to mind? Source: Gallup Organization, Lincoln, Neb.

Rank 3/89	Rank 2/89	Advertiser	Agency
1	2*	Pepsi-Cola	BBDO Worldwide
2	1	McDonald's	Leo Burnett USA
3	4	Coca-Cola	McCann-Erickson Worldwide
4	5	Ford	J. Walter Thompson USA
5	3*	Chevrolet	Lintas:Campbell-Ewald
6	6	California raisins	Foote, Cone & Belding
7	7	Tide	Saatchi & Saatchi Advertising
8	8	Budweiser/Bud Light	D'Arcy Masius Benton & Bowles/DDB Needham
9	—	Toyota	Saatchi & Saatchi DFS
10*	—	Chrysler	Retail
10*	—	Honda	Rubin Postaer & Associates

* Indicates a tie.

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FOCUS ON EMPLOYMENT

Job cutbacks slow at top agencies

By GARY LEVIN and JON LAFAYETTE

NEW YORK—The spate of personnel cutbacks among the largest U.S. ad agencies in recent years has tapered off as many shops find themselves with little more to trim.

The latest semiannual ADVERTISING AGE survey of U.S. employment trends shows that 21,232 people were on the payroll of the 10 largest agencies as of April 1, a 1.8% increase from a similar survey conducted last November.

But this figure was skewed by several acquisitions and divestitures in recent months.

Lintas:USA, for example, jumped in as the sixth-largest U.S. agency employer once its buyout of Fahlgren & Swink, Parkersburg, W.Va., was included (AA, Oct. 17). The deal, which added nearly 300 workers, boosted the agency's head count by 18.3%, the largest single jump.

On a smaller scale, J. Walter Thompson USA's 6.5% gain is explained partly by 50 employees of Donahue & Associates, a recruitment ad agency acquired late last year.

Declines by some agencies are similarly explained: Grey Advertising lost 100 employees, or 5.1% of its work force, with its sale of the LBS Communications syndication unit (AA, Nov. 28). And Ogilvy & Mather U.S.'s 3.6% drop is attributable mainly to Ogilvy Group's sale of its 88-employee Rolf Werner Rosenthal healthcare agency (AA, March 27).

Most agencies, however, reported gains or losses of less than 1%, as continued work-force reduction goals have finally been met.

"We feel we're at our fighting weight," said Edward L. Wax, chairman-ceo of Saatchi & Saatchi Advertising. The agency had been cutting staff since the 1987 merger of Saatchi & Saatchi Compton and Dancer Fitzgerald Sample.

Clayton Wilhite, president of D'Arcy Masius Benton & Bowles' domestic operations, said he thought his agency had "reached an equilibrium" in the "balance between workload and manpower."

That means "we are not on a crusade to reduce the number of people at DMB&B," he said. "After three years of consolidation, contraction and restructuring [since the merger of D'Arcy MacManus Masius and Benton & Bowles], we're in a good state."

Ogilvy Group's total staff grew by just 2% since 1986, said Chairman-CEO Kenneth Roman, despite a 50% increase in group revenues.

"I think the employment picture is one of everyone in the business just taking a look at trying to be as efficient as possible," said Chuck Peebler, ceo of Bozell, Jacobs, Kenyon & Eckhardt.

"In many cases, that's meant letting attrition take care of balancing out" staffing needs, he said, adding that the movement is industrywide. "Everyone in my position, given the nature of the business cycle, is being attuned to adjusting the picture quickly," based on rapid billings losses or gains.

Lintas, for example, has had to boost staff because of recent wins from IBM Corp. and RJR Nabisco. Leo Burnett USA's work force rose 3.1% as a result of new business, continuing an uninterrupted climb.

BJK&E's Bozell and Poppe Tyson agencies ranked 11th in the current survey, with 1,621 employees, a 1.5% drop from November, when it ranked 10th. As a result, it's not included in the accompanying chart.

WHERE THE JOBS ARE

Staffing at the 10 largest U.S. advertising agencies, ranked by employment, was up 1.8% to 21,232 in March from 20,864 last March. Figures are total agency employment, excluding public relations and consulting. March ranking in parentheses.

Agency	March 1989	Nov. 1988	% chg
1. Young & Rubicam (1)	3,060	3,050	0.3%
2. J. Walter Thompson Co. (2)	2,513	2,359	6.5
3. Foote, Cone & Belding (3)	2,359	2,346	0.6
4. Ogilvy & Mather (4)	2,204[1]	2,206	-3.6
5. Leo Burnett USA (5)	2,077	2,015	3.1
6. Lintas:USA (-)	1,920	1,623	18.3
7. Grey (6)	1,877[2]	1,977	-5.1
8. McCann-Erickson (7)	1,816	1,799	0.9
9. DMB&B (8)	1,753	1,749	0.2
10. Saatchi & Saatchi (9)	1,653	1,660	-0.4
TOTAL	21,232	20,864	1.8%

[1]Reflects sale of Rolf Werner Rosenthal healthcare agency.
[2]Grey total reflects sale of LBS Communications unit.

Source: Advertisers Intl

Also just below the top 10 were Omnicom Group sister agencies DDB Needham Worldwide, with 1,599 workers, and BBDO Worldwide, with 1,570.

Head-count reductions aren't the only answer to cost cutting, some executives said.

John Dooner, president of McCann-Erickson USA, said that if revenue gains don't come, there are a number of costs you can go after to keep profits rising. "It's not just employees," he said. "There's travel, expenses, the timing of raises."#

Scott Hume in Chicago contributed to this story.

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Freelancers flood into market

By JON LAFAYETTE

NEW YORK—Mergers, consolidations and cutbacks have thrown many agency executives into a freelance pool that may be reaching unprecedented size.

One estimate from Team Works, a free-lance placement service, puts the number of advertising freelancers at more than 4,000 nationwide, a labor force that earns about $330 million annually.

Free-lancing has become an obvious job alternative as people find themselves out of work, a condition that has affected many as agencies pare their staffs to improve the profit picture.

Team Works was launched by a former William Esty Co. creative team who found themselves on the street after Esty lost the $170 million Nissan Motor Corp. USA account in 1987.

Al Blanco, president of the service, said hiring freelancers for the busy times costs less than hiring full-time help because freelancers get no benefits and don't require full-time staffs and offices.

Freelancers also can be used on time-consuming new-business pitches because "agencies can't afford to keep experts in categories they're not in anymore," Mr. Blanco said.

Agencies can check freelancers' backgrounds to match experience with the prospective client's industry.

Besides art directors and copywriters, the company represents freelancers in fields including marketing, public relations and promotion.

Team Works has about 1,200 freelancers nationwide on its computer. In a survey of a sampling of them, the company found that freelancers work an average of 12 days a month. Their average day rate is $453, and they do 60% of their work for agencies and 40% for advertisers.

Of those freelancers surveyed, only 26% said they wouldn't take a permanent job.

"Some are making $1,000, some are making pennies," said Matty Forbes, a former VP at Wells, Rich, Greene who now free-lances. "They got me four weeks at Griffin Bacal, a week and a half at Kornhauser & Calene."

Freelance Solutions, a competitor of Team Works, agreed that business is good.

"Sure we're busy," said Gary Shapiro, director of operations. He said his company has some 2,000 freelancers across the country in its files.

All agency executives, however, don't buy all the arguments in favor of freelancers.

"It doesn't save us anything," said Ed Vick, president of Ammirati & Puris. He said the cost mounts quickly for good freelancers, who work at high daily rates.

"We try not to use a lot of freelancers, and it's going down every year as the agency gets larger," Mr. Vick said.

"During the years we have [used freelancers] when there's a crunch," said Robert Schmidt, ceo of Levine, Huntley, Schmidt & Beaver. Generally, though, he said the agency tries to avoid them because "an agency's creative product gets inconsistent if you have too many freelancers.

"Some guys do good work, but on average, they're average. They're Hessians, hired guns."

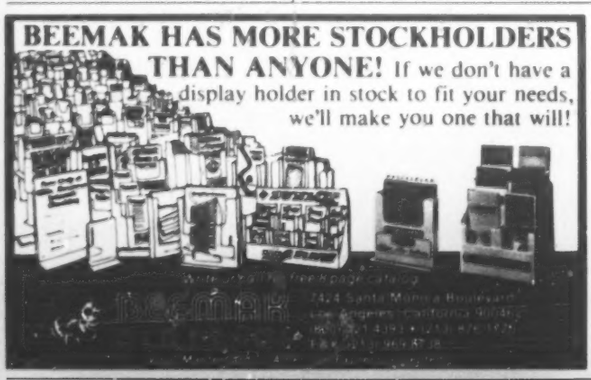
"We don't use them that regularly. We use them when all our creative teams are busy, when we have to make special presentations and during vacations," said Lila Sternglass, exec VP-creative director at McCaffrey & McCall. "There are some good, talented people out there.

"This place has always run very lean. They think twice before they hire. But then they want to know why we're spending so much on freelance," she said.

Some agency executives believe free-lance companies will have trouble keeping track of independent-minded freelancers.

"Once they find a place that gives them work more than once, why should they cut in a third party?" asked one executive who's seen several attempts to build a free-lance-based business fail.

But last year Team Works had sales of $1 million in free-lance payments and fees. This year, Mr. Blanco projects sales could top $3 million.#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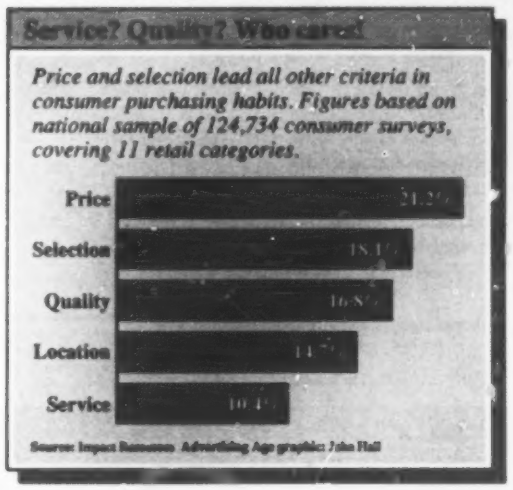
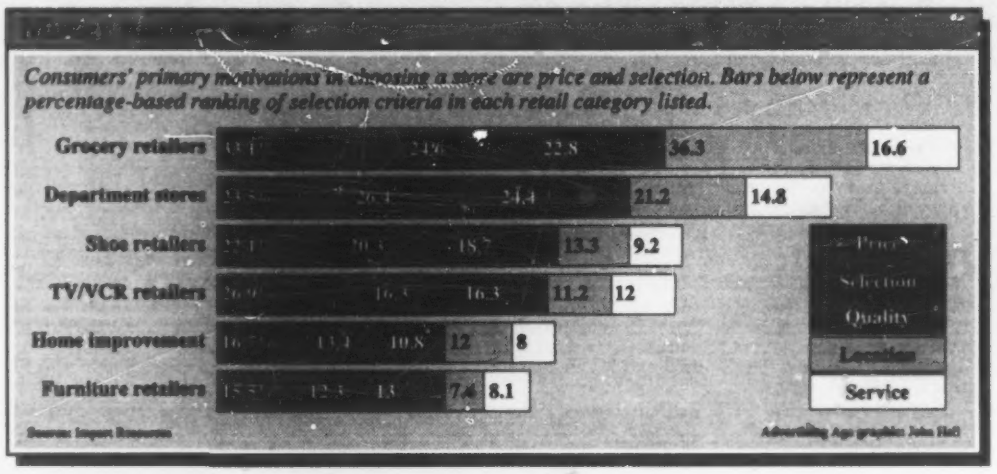
Walking the slippery retail tightrope

'Putting in a piano does not a Nordstrom make' so retailers need to tread the fine line in key variables


Service? Quality? Who cares?
Price and selection lead all other criteria in consumer purchasing habits. Figures based on national sample of 124,734 consumer surveys, covering 11 retail categories.
Price
Selection
Quality
Location
Service
Source: Impact Resources Advertising Age graphic: John Hall



By Judith Graham

Retailers are renowned for poring over weekly sales results, and then placing their faith in buyers' gut instincts. But those gut feelings have produced their fair share of flops, and retailers are looking for new formulas to follow.

Increasingly they turn to successful retailers such as Nordstrom and Wal-Mart Stores for hints. The two retailers, while at opposite ends of the retailing spectrum, have built reputations around service and value, which merchants nationwide are rushing out to copy.

But "putting in a piano does not a Nordstrom make," quipped retail consultant Marvin Rothenberg at a recent retail conference in New York.

Other experts agree Nordstrom's unique corporate culture cannot be duplicated, and that simply overhauling sales associates' incentive compensation will not transform them into the gracious helpers for which Nordstrom is known.

According to a comprehensive survey by market researcher Impact Resources, service is not a primary reason why shoppers patronize a store.

The primary motivations in selecting one store over another are price, selection and quality, respectively. *(See accompanying chart).*

"Retailers who jump in and try to give Nordstrom-type service without having the right merchandise at the right price will have no special advantage," says Scott E. Sandberg, senior VP at Impact.

Service can act as a "tie-breaker" between retailers that already have their prices, selection and quality in good order, he says.

Impact's data also shows that the significance of services varies by retail category, as well as by the markets retailers are out to serve. The key reason why Nordstrom and Wal-Mart have such excellent reputations for service is that they have figured out what their customers want, and how to give it to them, Mr. Sandberg says.

Nordstrom pampers customers who have large amounts of disposable income by giving them various amenities.

But even so, Nordstrom customers say they place greater importance on the depth and quality of its merchandise. Service is only one part of a three-pronged marketing strategy that includes quality and selection as other elements.

The strategy differs at Wal-Mart, which generally attracts blue-collar, lower-income and less-educated customers. The chain's biggest attributes: service, price and location.

Wal-Mart's goal is to get customers in and out of its stores as quickly and easily as possible, provide hassle-free return policies, and assure shoppers through low-price policies that they are receiving a deal on merchandise.

Hoping to mimic Wal-Mart's success, many merchants have joined the everyday-low-price bandwagon. According to Impact's findings, they may be on to something.

The survey provides plenty of support for everyday-low-price strategies.

In addition to being the single most important determinant of consumers' store choices across all categories, price ranks first in importance for shoe retailers, furniture retailers, TV/VCR retailers and home improvement/hardware retailers.

According to the Impact survey, no single retailer dominates by virtue of its pricing policy in the department store or home improvement/hardware category.

In the furniture and TV/VCR categories, local merchants compete fiercely with national chains, frequently doing as well or better than their larger competitors; in the grocery category, local and regional merchants win, largely because of strong price-oriented advertising. □

Associate Editor Adrienne Ward coordinated this report on Retail Marketing.

Coming

Next week ADVERTISING AGE's Special Report will focus on **Sales Promotion.**

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Ad Age picks the Best of the Best—Pages 3, 34, 38, 39

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May 1, 1989

Advertising Age

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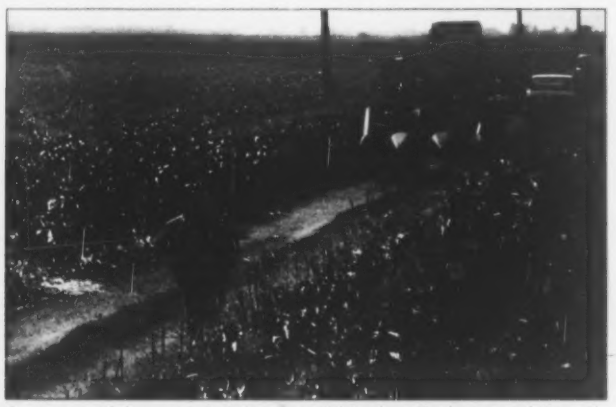
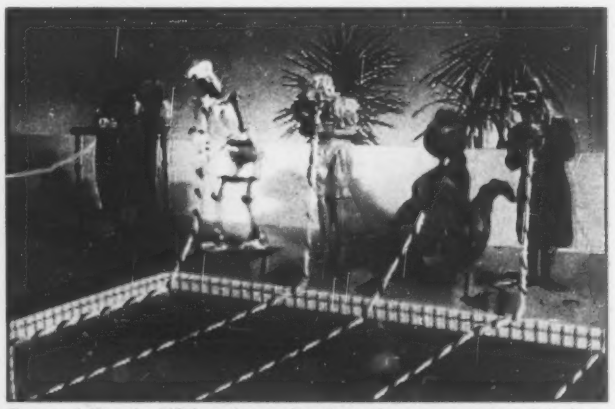
HOT STUFF

Breaking campaigns



A group of farmers helping a neighbor's wife is one of the all-American images in new advertising that starts today for Miller High Life. The campaign, themed "The best comes shining through," is the first from Leo Burnett USA, Chicago *(see story on Page 84)*.

A Ronald McDonald clone who's tired of hamburgers appears in one of three new commercials for Arby's parodying fast-food burger advertising. The campaign starts today via W.B. Doner & Co., Baltimore *(see story on Page 84)*.



General Foods USA today unleashes six new commercials in a $25 million advertising and promotional blitz for Kool-Aid. Grey Advertising, New York, handles.

(Hot Stuff continues on Page 84)

FSI boom to go bust?

By JULIE LIESSE ERICKSON

Free standing inserts are on the way out with package-goods marketers.

Although FSIs accounted for a record 77.3% of all coupons distributed last year, price hikes, clutter and the waning impact on both consumers and retailers will take their toll on the FSI boom this year, experts say.

Marketers are switching their interest to new promotional alternatives, and some predict FSIs are doomed to become another dinosaur among coupon delivery systems, joining "best food day" run-of-press newspaper couponing.

"It's not going to happen overnight, but over the long term, it's realistic to expect a substantial shift of dollars out of FSIs and into other promotional systems. That's where our dollars are headed," said the director of sales promotion for a major food company, who requested anonymity.

"Various coupon vehicles come in and out of vogue—and now there's the FSI. As they become more cluttered and expensive, they will fade," said the advertising VP for another major food company, who also requested anonymity. "I think FSIs will go out of fashion like they have come into fashion—fairly quickly."

Steve Martin, associate director of marketing research for Manufacturers Coupon Control Center, a Dun & Bradstreet Corp. subsidiary, said, "I think marketers will seek out other ways of delivering coupons to consumers. That will be the major trend in 1989."

Mr. Martin attributed that to the FSI price hikes.

"I think what we're seeing is the pendulum coming closer to the center now—it might have swung too far in favor of FSIs in the promotional mix," said Steve Kapur, director of sales promotion at Kraft USA.

Not all the problems with FSIs—like clutter and low redemption rates—are new. But they have become an issue because of the average 20% price increase the two FSI suppliers instituted this year. Another 5%-to-10% boost is expected next year.

The price increases came in the wake of Rupert Murdoch's purchase last year of the No. 2 and No. 3 FSI suppliers. His News America FSI division is now larger than Valassis Inserts, formerly the No. 1 supplier of FSIs (AA, Aug. 22).

The price hikes also followed a reduction in the number of FSIs—down to 104 this year from 124 in 1988. Some marketers are complaining it's more difficult, particularly with large brand blocks,

(Continued on Page 82)

NBC's 'Roe' may turn off advertisers

By JUDITH GRAHAM

NEW YORK—Agency executives predict several advertisers will withdraw from an NBC-TV movie about the fight to legalize abortion.

Because of the current controversy over TV programming content, these executives say, advertisers will want to avoid an anticipated uproar over the made-for-TV movie "*Roe vs. Wade*."

"Many advertisers will want nothing to do with this program because of its provocativeness," said Alan Banks, exec VP-director of media at Saatchi & Saatchi Advertising. "Given today's climate, in terms of concern over program content, they're definitely concerned."

Said one senior agency media executive who asked not to be identified: "It's a no-win situation. Whether viewers are for abortion or against, they're likely to get upset. The subject is just too sensitive."

NBC is well aware of the issue.

"I'm sure it's going to happen—that advertisers are going to pull out" because of the sensitive nature of the subject, said one NBC executive who asked not to be identified. "But it hasn't happened yet."

Before advertisers and their agencies decide, they

(Continued on Page 85)

Last Minute News

AmEx Gold banks on Chiat

NEW YORK—American Express Travel Related Services selected Chiat/Day to succeed McCann-Erickson Worldwide on its $25 million Gold Card account. Chiat/Day's direct-marketing subsidiary, Perkins/Butler, succeeds Wunderman Worldwide on that portion of the account. McCann handles various AmEx accounts in Japan and several other international markets and keeps the $3 million Platinum Card account, which wasn't under review. McCann also failed to make the list of finalists for Shearson Lehman Hutton's $15 million-to-$25 million account. Now vying to succeed McCann are Ammirati & Puris and Ally & Gargano.

Faberge, Unilever stop talks

NEW YORK—Faberge and Unilever ended negotiations for the sale of Faberge's beauty businesses to Unilever. Unilever said Faberge owner Riklis Family Corp. proposed significant changes in the terms. Wall Street analysts said Riklis wanted royalty payments and to stagger transfer of assets besides the $1.55 billion cash price. Faberge Chairman Dan Manella attributed the split to "technical and legal problems" and wouldn't comment further except to add there's no intention now of selling Faberge.

NutraSweet wants to add shop

DEERFIELD, ILL.—NutraSweet Co. is contacting agencies about adding a shop to its roster, sources said. The assignment would cover new ventures,

(Continued on Page 8)

Judge deals blow to NAAG rules

By JENNIFER LAWRENCE

State attorneys general suffered a major setback last week in their mission to regulate airline advertising.

U.S. District Judge Walter S. Smith Jr. in Waco, Texas broadened an earlier preliminary injunction to prevent 33 states from enforcing the National Association of Attorneys General airfare guidelines. A Jan. 30 injunction applied only to Texas (AA, Feb. 6, *et seq.*).

The federal court order in effect kills enforcement of the guidelines until either Judge Smith or an appeals court rules otherwise.

Ronald D. Secrest, attorney with Fulbright & Jaworski, the law firm for the airlines, said the ruling should give the states pause in their drive to regulate national advertising.

State attorneys general and their assistants scheduled conference calls for April 28 and today to determine whether to appeal the expanded order, said Timothy Giles, chief spokesman and director of policy and communications for New York Attorney General Robert Abrams, one of the attorneys general named in the ruling.

Texas appealed the earlier preliminary injunction to the 5th U.S. Circuit Court of Appeals, but no ruling is expected until fall.

The lengthy battle between the airline industry and state attorneys general landed in the courts when British Airways, Continental Airlines and Trans World Airlines sued Texas Attorney General Jim Mattox over enforcement of the guidelines.

After Judge Smith enjoined Mr. Mattox from suing any of the three plaintiffs, the Texas attorney general filed suit against Pan American World Airways for deceptive fare advertising.

Since Judge Smith's original injunction only covered Texas, attorneys general in California, Kansas and New York filed similar deceptive advertising suits against TWA.

Judge Smith said in last week's order that "the court has determined that the injunction presently in effect must be broadened in order to provide meaningful protection to the plaintiff airlines. The suits inititated in other states on identical grounds and against the same parties demonstrate to the court that this matter is not merely of local interest but rather one that is of nationwide concern. Decisions made in the course of these proceedings have the potential of effecting broad-sweeping changes in the airline industry."

The order also granted the plaintiffs' motion for 10 foreign carriers to intervene in the suit—meaning they are protected by the expanded injunction.

Kansas Attorney General Robert Stephan called Judge Smith's order "mind-boggling."

"I damn well intend to enforce the law of this state," said Mr. Stephan, also one of the attorneys general named in the case. "I've never heard of anything like this before, for some federal judge to tell me I can't enforce my state law. . . . I don't think he understands the case. I don't think he has any evidence that we enforce the NAAG guidelines. States enforce their own state law."

The guidelines were adopted in December 1987 by more than 40 states to ensure a national standard for airfare ads. The effort, marking the first time states joined together to regulate national advertising, was heavily criticized by the ad industry, airlines and the federal government.#

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Lewis Gilman & Kynett's president-ceo resigns as FCB takes more control over its agency network.

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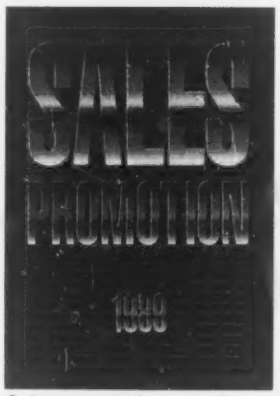
Upjohn's Regaine prescription baldness remedy prepares to go head-to-head with Henkel-Lion's over-the-counter lotion in West Germany.

AD REVIEW: IBM finds "The Solution" with some cliches and an arresting look. P. 86.



Sales promotion continues hot streak. See "Special Report," following P. 58.

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Vol. 60, No. 19—ADVERTISING AGE (ISSN 0001-8899) is published weekly except semiweekly the fourth week in March and the fourth week in September at 740 Rush Street, Chicago, Ill. 60611-2590. Second-class postage paid at Chicago and additional mailing offices. Send address changes to ADVERTISING AGE, Circulation Department, 965 E. Jefferson, Detroit, Mich. 48207. $2.00 a copy, $74 a year, $124 two years. Add $115 per year for air delivery to Europe & Middle East. Add $49 for surface mail to all other foreign countries. WILLIAM STRONG, VP-circulation; JOHN HUFFMAN, fulfillment director; DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Address all subscription correspondence to Circulation Department, Advertising Age, 965 E. Jefferson, Detroit, Mich. 48207 1-800-992-9970. Microfilm copies are available from University Microfilms, 300 N. Zeeb Rd., Ann Arbor, Mich. 48103. Microfiche copies are available from Bell & Howell, Micro Photo Division, Old Mansfield Rd., Wooster, O. 44691. AD AGE is available for electronic retrieval on the NEXIS® Service, Mead Data Central, Inc., P.O. Box 933, Dayton, O. 45402 (800 227-4908).

Taco Bell shift to FCB stings Tracy-Locke

By MARCY MAGIERA

Tracy-Locke is crying foul over Taco Bell's selection of Foote, Cone & Belding, San Francisco, for its $75 million Mexican fast-food account.

"They are not square-dealers; they misled this agency," said one senior Tracy-Locke executive. The "need" to resign the account "came as a shock to us," he said.

Tracy-Locke resigned the account just hours before FCB's appointment.

As finalists in a covert review, FCB and the incumbent had planned to make full presentations to Taco Bell in mid-May. But Dallas-based Tracy-Locke resigned its Los Angeles office's only major account when it determined from Taco Bell sources that the PepsiCo subsidiary had no intention of retaining the incumbent no matter what, sources say.

The loss devastates Tracy-Locke's 3½-year-old West Coast operation, opened at Taco Bell's behest. Taco Bell represented almost 70% of the office's $110 million in billings; about 60% of the shop's 100 employees worked exclusively on the fast-food chain.

Remaining accounts are Pepsi-Cola West (a bottler group on a fee basis), Frito-Lay (creative only for Doritos tortilla chips) and Campbell Soup Co., for which Tracy-Locke is completing an apparently isolated assignment.

Tracy-Locke is a unit of the Omnicom Group.

Although the agency says it will "maintain a presence" in southern California, most observers doubt it can replace the lost billings and continue as a full-service shop.

The loss of Taco Bell "means we

(Continued on Page 8)

Ogilvy chief pans WPP buyout idea

By LAUREL WENTZ and GARY LEVIN

Ogilvy Group Chairman Ken Roman, in a whirlwind tour of eight London brokerage houses April 26, signaled Ogilvy would fight any takeover bid by WPP Group.

"It's fairly obvious [the visit was] a defensive move," said Neil Blackley, an analyst at James Capel & Co. "It's not as if [the company] suddenly decided investor relations was the correct thing to do on a global basis."

Mr. Roman's trip was made "basically to present the facts because there have been such half-truths and exaggerations about the company's performance. It was the same message that was in our ad Tuesday," said Toni Maloney, Ogilvy & Mather Worldwide senior VP-director of public relations

Ogilvy ran a page ad in *The New York Times* and *The Wall Street Journal* April 25 highlighting its May 12 headquarters move and changes in its account-service department, and offering what it called "the real story about [profit] margins."

Analysts said that at one meeting, Mr. Roman said he felt there would be no benefits to a WPP takeover and that dual networks didn't work particularly well for clients.

Mr. Roman also said there was absolutely no indication in the Ogilvy shareholders' list that WPP has bought into the company, analysts said.

Financial experts said WPP Chief Executive Martin Sorrell has been sounding out the London financial community for advice and reaction to a possible bid.

The community "poured cold water on the idea," one expert said.

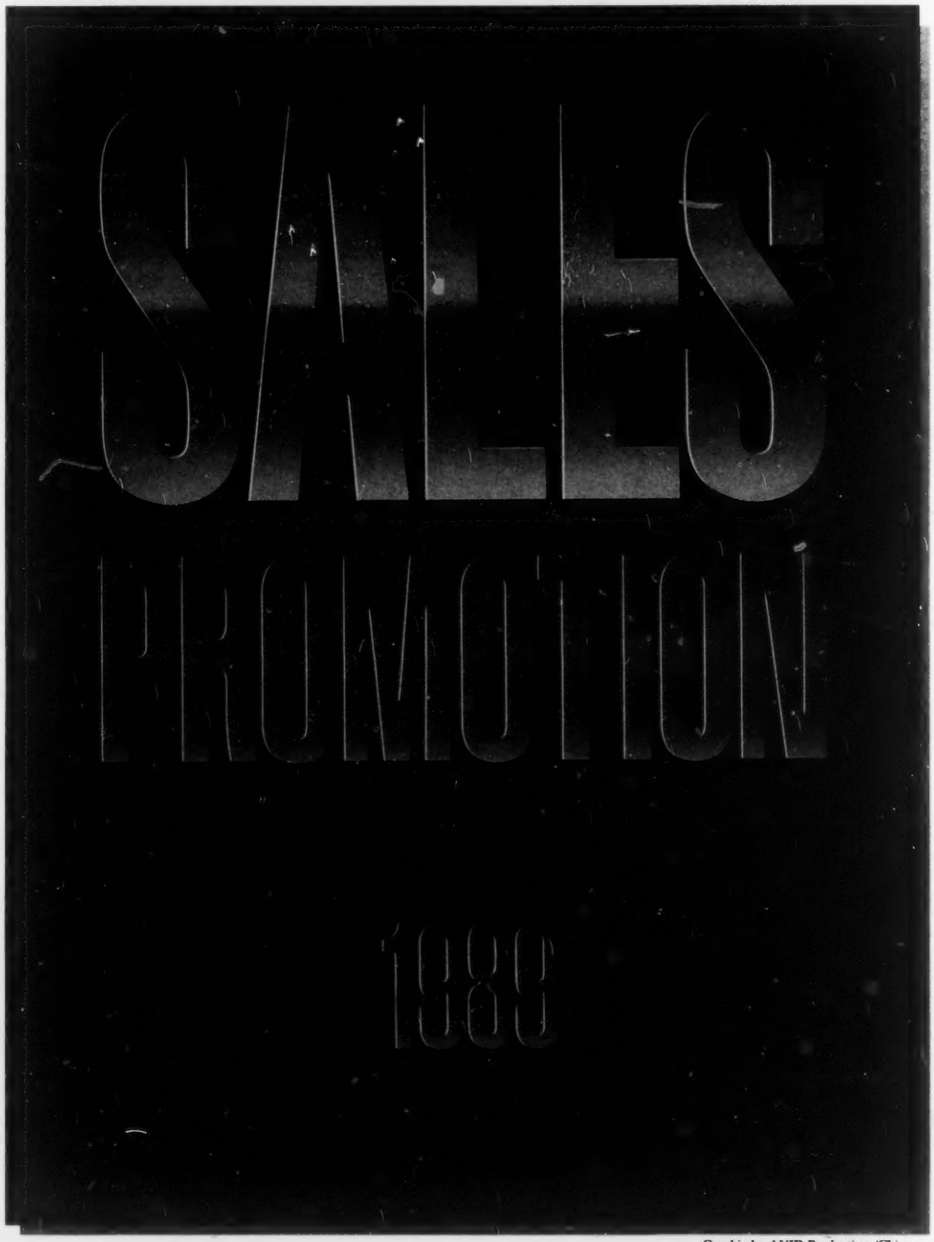
Members of the financial community are concerned about possible client losses from potential conflicts with WPP's J. Walter Thompson Co. They're also worried that financing such a deal could dilute WPP's

(Continued on Page 81)

Special Report

Marketing's rising star

Outstripping ad growth by wide margin, sales promotion looks to get hotter



Graphic by AVID Productions/Chicago

By Kenneth Wylie

In the battle for growth, sales promotion is whomping general advertising.

In case any doubters remain, the proof is here in b&w: Based on the revenue figures of their leading practitioners, sales promotion is growing at a rate 2½ times faster than general advertising.

Growth in sales promotion continued its breakneck pace in 1988 as the leading sales promotion agencies scored a 23.3% increase in revenues to $500 million from 1987's $404.3 million, according to ADVERTISING AGE's second annual survey of sales promotion agencies.

This function of marketing—traditionally tied to short-term sales growth although rapidly emerging as a long-range tool—eclipsed the 9.8% growth in U.S. revenues in 1988 attributed to the nation's leading ad agencies (AA, March 29).

Agencies surveyed in the report see no letup in the business' rampant growth. A 15% to 20% leap in revenue was the most common response to projections for 1989. Several were far more sanguine, even verging on combatant.

No. 1 full-service shop American Consulting Corp. boasts an anticipated 100% growth in revenue in 1989; Block Everett Nardizzi, No. 24 full-service, is looking at 50%; No. 14 full-service QLM Associates (FKB), at least 50%; and No. 16 full-service Sims Freeman O'Brien is aiming at 40%.

The agencies generally peg their rosy growth projections to a 50-50 split between existing accounts and new client activity.

Rapid growth in employment accompanied the increase in revenue. The full-service and specialty agencies logged a 17.8% growth in employment to 5,739 as their number of offices worldwide increased 13.1% to 181.

Sales promotion continues to spread regionally. While its stronghold remains the geographic pockets around metro New York and Chicago, emerging sales promotion centers such as Minneapolis-St. Paul, St. Louis, Texas and California are increasing sales promotion's national flavor.

Although D.L. Blair Corp. reports it closed its Atlanta office in 1988, it is experiencing strong growth, particularly from its West Coast business, and is expanding its Blair, Neb., operations center.

However, the sales promotion business still tilts toward the East, home to 78 shops, including 53 in New York City and the New York and New Jersey corridors; 12 in Connecticut; and 13 in other Eastern cities. The Midwest is second with 54, 25 in metro Chicago.

The East also is home to eight of the top 10 full-service promotion agencies. American Consulting, a New York based subsidiary of British-owned FKB Ltd., fueled its revenue stream with new account acquisitions to lead a surge among full-service shops. Its $24.3 million revenue tally squeezed out Garden City, N.Y.-based D.L. Blair at $24.2 million for the top spot.

Frankel & Co., Chicago, grew by a phenomenal 40% to $19.6 million, nudging it up from No. 4 in 1987 to No. 3, just ahead of Lintas:Marketing Communications, New York, whose $18.3 million in revenues were fueled by the acquisition of Muir Cornelius Moore, New York, in 1988. These shops are designated full-service because of their heavy involvement in strategic planning.

Frankel's 1987 ranking of No. 4 among full-service shops in this report is down from the No. 1 ranking the agency had in last year's issue because top specialty shops gained full-service status this year, and prior-year rankings were based on reports filed this year.

Specialty agencies—those with revenues generated largely by one or two services—were paced by Carnegie Associates, Santa Barbara, Calif., with $10 million in revenues, 64% of it generated by its incentives business. Heavily production-oriented Merchandising Workshop, New York, followed with $8.5 million, and Columbian Advertising Inc, a Chicago-based point-of-purchase specialist, was No. 3 at $7.6 million.

Advertising agencies offering significant sales promotion services were paced by Ross Roy Group's $5.3 million, followed by the Omnicom Group's Lavey/Wolff/Swift at $4.5 million. The sales promotion revenue growth among advertising agencies was about 20% compared with their overall growth of 13%—helping to explain why ad agencies are becoming more sales promotion minded.

Despite claims that the pool of available sales promotion agencies to acquire is shrinking, private ownership of sales promotion agencies is still by far the norm. But 17 of the 83 full-service and specialty sales promotion agencies in this report were subsidiaries of mainly larger sales -promotion companies, several of them having made that move in 1988.

The strategizing or planning area —consulting, planning and strategy —accounted for the biggest chunk of revenue. At $99.7 million this figure jumped 23.8% from 1987.

At the same time, production—generally regarded as a mainstay activity in the materials-intensive sales promotion business—fell to just 10.9% of the services provided with an agency revenue value of $40.4 million in 1988. In 1987 this figure accounted for 12.4% of services, valued at $39.2 million.

The biggest leap among the multitude of sales promotion services was recorded by event promotions, which jumped 81.6% to $11.1 million. As a percentage of overall agency services, it rose to 3% from 1.9% in 1987. Fulfillment grew to $8.2 million in revenues, up 56.3% over 1987.

Staff-time fees, one of the two major sources of revenue measured in this study, rose sharply to about $180 million, up 26.6%. This was 63.3% of total revenue for those agencies that broke out their revenues, up from 61.8% of the total in 1987, and reflects the increase in the strategizing end of the business—a fee-compensated service.

Commissions and markups, the other major revenue source, rose 21.5% to $90.1 million in 1988, although the total represents a drop of 0.7 percentage points to 31.7% of total compensation. □

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